Government of Alberta

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GAS ROYALTY OPERATIONS INFORMATION BULLETIN May 2012

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

PRICING RATES AND TRANSPORTATION INFORMATION

A. For Pricing, Royalty Rates and Transportation Information for March 2012, refer to the Information Letter.

The monthly default sulphur price for March 2012 is $108.02.

Annual Sulphur Default Price

2006	2007	2008	2009	2010
$18.89	$32.53	$297.38	$5.83	$42.19

B. NOTICES

Royalty Deposit Adjustment

The annual royalty deposit adjustment is calculated as $1/6^{th}$ of the client's previous year's royalty multiplied by a factor. The factor of 1.22 is calculated by dividing the current year's long term gas price for 2012 of 4.00 by the average 2011 Alberta Reference Price of 3.28. The adjustment will be processed in the Initial Annual Billing Period (IABP), June 2012 calendar month (April 2012 billing period invoice).

If you have any questions, please contact Joey Dennis at 780-643-1596.

Production Allocation Discrepancy (PAD) Reporting Information Sessions

Gas Royalty Operations will be conducting two information sessions on Tuesday, June 19, 2012, at the ConocoPhillips Theatre, Gulf Canada Square, 401 – 9th Avenue S.W. Calgary Alberta.

The morning session is from 10:00 a.m. to 12:00 p.m. The afternoon session is from 1:30 p.m. to 3:30 p.m. Both sessions will cover the PAD report, potential royalty impacts and how to navigate the report to obtain accurate reporting and eliminate the need for royalty recalculation.

Please email Melissa Winczura at Melissa.Winczura@gov.ab.ca by Wednesday, June 13, 2012, to register for one of these sessions.

C. MONTHLY INFORMATION

March 2012 Royalty Due June 30

- **Royalty clients are to remit the total amount payable shown on the June 2012 Statement of Account by June 30, 2012**. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The June 2012 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your March 2012 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of March 2012 if it is paid in full by June 30, 2012.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

April 2012 VA4 Due June 15

The VA4 forms for the production month of April 2012 are due in the department offices by June 15, 2012.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."***

Interest Rate May 2012

Alberta Energy's interest rate for May is 4.00%.

February Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the February 2012 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$6,102,855.23	**($4,298,855.90)**	**$1,803,999.33**

February Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the February 2012 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2012/02
AC2	$44,200	($3,000)	$41,200
AC4	$200	$0	$200
AC5	$5,300	$0	$5,300
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$1,000	$0	$1,000
VA4	$200	($300)	($100)
Total	**$50,900**	**($3,300)**	**$47,600**

Gas Royalty Operations Support

Upon request, Gas Royalty Operations staff will be available to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to contact your respective Gas Royalty Volumetric and Cost Reporting portfolio representative, as identified in Section F of this bulletin, to arrange a meeting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via the PRA on May 01 and May 11, 2012. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the new royalty formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the

department, a letter is issued to a facility operator who reports changes through the PRA to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Please send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Joyce Chen at 780-427-1550.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395, if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

AC1-V2 Shut In Status

Royalty clients are reminded that the shut in status is applicable for a Facility Cost Centre only if there are no volumes going through that Facility Cost Centre for the entire production year for all months January to December. If there are volumes going through the Facility Cost Centre even for only one month in a calendar year, the Facility Cost Centre must remain at an active status and the shut in status does not apply.

On the AC1-V2, the shut in box should only be checked if the Facility Cost Centre is shut in for an entire calendar year. The shut in box should remain blank if the Facility Cost Centre is active for any part of the year or reactivated in the year. When a Facility Cost Centre is shut in for a year, allowable cost forms are not accepted for that year.

Turnaround Time for AC Submissions

Facility Cost Centre (FCC) Set-Up/Change (AC1)
FCC set-ups submitted through batch or on-line are processed by the department within a half-day turnaround time and these requests are processed during the invoice cycle. All other FCC changes are processed overnight, however processing for these changes do not occur during an invoice cycle. AC1s submitted on the weekend or on a statutory holiday are processed on the next business day.

Annual Allowable Cost (AC2, AC3 and AC5) Submissions

AC2, AC3 and AC5s are processed nightly except during an invoice cycle. Submissions made on a weekend or on a statutory holiday are processed the next business day.

DOE Gas Production Allocation Discrepancy Reporting Project

The department is reviewing variances at the production entity level by comparing gas equivalent quantities allocated on the Stream Allocation Factor (SAF) submissions with the corresponding gas production volumes reported at the well event level. This review is for production years 2009 and onward, coinciding with the inception of the new well event based gas royalty rate formula which is sensitive to both price and quantity. The objective of this review is to encourage accurate reporting by obtaining assurance that allocated quantities are reconciled within a reasonable tolerance to production volumes.

Effective May 4, 2012, the Petroleum Registry of Alberta (PRA) is implementing a new monthly reconciliation process that compares gas equivalent allocated quantities for a production entity with its reported gas production volumes and identifies any material discrepancies. If the variance between a production entity's allocated quantities and its gas production volume exceeds +/-20% of the production and the absolute difference is at least 10.0 10^3m^3, the reporting situation is included in a new Production Allocation Discrepancy Report. This report is issued on a monthly basis to specific operators who have the ability to amend production or allocation volumes to resolve the discrepancy.

Under the Reports and Queries folder, Registry users may request a report on demand which includes information up to the end of the previous business day. Two days prior to the monthly DOE extract date, PRA does a sweep of royalty triggered gas production and allocation quantities and produces a preliminary version of the report. PRA does another sweep on the monthly DOE extract date to produce a final version of the report.

The DOE receives a copy of the final version of the PRA report and uses it to determine the potential royalty impact on unresolved reporting discrepancies. If a discrepancy is a result of allocated quantities being overstated, the production volume is not considered to be a reliable indicator of the royalty rate and the DOE will subject the allocation to a royalty recalculation as if no production volume was reported. If a discrepancy is a result of allocated quantities being understated, the production volume and the royalty rate is deemed to be accurate and the allocation will not be subject to royalty recalculation.

Royalty recalculation impacts are issued to royalty clients in a new Production Allocation Discrepancy Report to be included with the Ministry Invoices and Statements currently sent to royalty clients after the monthly gas royalty invoice cycle is complete. Following the March 2012 billing period invoice run that is processed in May, the department will review and evaluate the reconciliation process and potential royalty impacts associated with the resulting discrepancies. An implementation schedule for royalty recalculation will be determined and announced prior to any actual charges appearing on the invoice.

Correspondence Address for Royalty Deposits

Effective immediately, all queries relating to Royalty Deposits should be forwarded to the Management Information Team at ManagementAssurance.Team@gov.ab.ca

New and Revised Meter Station Factors

The department has published in Information Letter 2012-13, new and revised Meter Station Factors. Meter Station Factors for new meter stations are identified in Attachment 5 and are effective for the production periods January 2011 to December 2011. Meter Station Factors identified in Attachment 4 are effective the January 2012 production period and subsequent production periods until otherwise changed.

Note: Meter stations represented as ATCO Pipeline North and ATCO Pipeline South in Attachment 4 are now operated as an integral part of the NGTL System. As such, these Meter Station Factors were calculated on the same basis as all other NGTL Meter Station Factors.

If you have any questions, please contact Terry Rayne, Acting Director, Pricing and Analysis at (403) 297-5465 or e-mail at terry.rayne@gov.ab.ca.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry.

To contact the Petroleum Registry of Alberta Service Desk:
Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: petroleumregistry.energy@gov.ab.ca

Alberta Energy Internet

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)".

In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Volumetric & Cost Reporting

Volumetric & Cost Reporting is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of three teams. Listed below is the portfolio breakdown along with the Volumetric & Cost Reporting Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.
Example: If your company name is the "Gas Company" you would call the
C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B, H-P	780-644-1201 VCR1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 VCR2@gov.ab.ca	Lily Hiew
Q – Z	780-644-1203 VCR3@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer. Below are some guidelines for clients who are unsure which Volumetric and Cost Reporting Team to call regarding their questions.

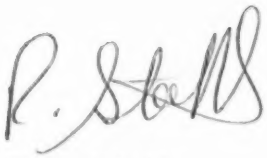
1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Volumetric and Cost Reporting regarding business for ABC Oil and Gas, you would call Team 3 (Q-Z) (780-644-1203) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Volumetric and Cost Reporting regarding business for 123 Gas, you would call Team 1 (# Co., A, B, & H-P) (780-644-1201) because you have only purchased assets.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 1 (# Co., A, B, & H-P) (780-644-1201) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400



Richard Stokl
Director, Gas Royalty Operations
Royalty Operations